

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CEA-01 CIAE-00 COME-00  
DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04  
NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-04 ITC-01  
TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 /086 W  
-----062020Z 085539 /46

R 061533Z APR 77

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7205

INFO AMEMBASSY LUXEMBOURG

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY ROME

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

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E.O. 11652: N/A

TAGS: EMIN, EIND, GW, EEC

SUBJECT: THE CONTINUING STEEL CRISIS IN THE FRG

REF: (A) DUSSELDORF 646 (NOTAL), (B) ROME 5045,  
(C) BONN 5140

1. SUMMARY: FRG IS BEGINNING TO ADDRESS THE QUESTION  
OF GOVERNMENT ASSISTANCE TO THE GERMAN STEEL INDUSTRY,  
PARTICULARLY IN THE SAAR. SUSPICION OF DAVIGNON'S  
RESTRUCTURING PLAN, STEEL MERGER RUMORS IN GERMANY, AND,  
ABOVE ALL, THE CONTINUING STEEL SLUMP MAKE A REASONED  
APPROACH TO THE PROBLEM DIFFICULT. END SUMMARY.

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2. IN RESPONSE TO APPEALS FROM SAAR POLITICIANS AND  
STEEL INDUSTRY REPS, AN ECONMIN SPOKESMAN COMMITTED THE  
FEDERAL GOVERNMENT TO ASSISTANCE FOR THE INDUSTRY.  
ECONMIN HAS ONLY JUST BEGUN TO WORK ON A PLAN FOR THE  
SAAR, BUT MIN SOURCES SAY AN EARLY RETIREMENT PROGRAM AND  
AN ENHANCED REGIONAL PROGRAM (WHICH PROVIDES INCENTIVES

TO INDUSTRIAL INVESTMENT IN ECONOMICALLY WEAK AREAS OF THE FRG) ARE BEING CONSIDERED FIRST.

3. MIN SOURCES HAVE ALSO BECOME MUCH MORE "AWARE" OF THE HEAVY DEBT REPAYMENT SCHEDULE FACING MANY SAAR STEEL FIRMS AS A RESULT OF RECENTLY COMPLETED MODERNIZATION PROGRAMS. MIN IS UNDOUBTEDLY RECEIVING HEAVY PRESSURE TO CONSIDER GOVERNMENT ASSISTANCE TO EASE OR STRETCH OUT THIS REPAYMENT PROBLEM.

4. ANOTHER ASPECT OF THE CONTINUING STEEL CRISIS IN THE FRG IS THE RUMORED MERGER DISCUSSIONS BETWEEN KRUPP, SALZGITTER AND KLOECKNER (REPORTED REF A). ALTHOUGH THE RUMORS WERE DENIED BY INDUSTRY SPOKESMEN, AN INFLUENTIAL FDP ECONOMIC SPOKESMAN, LAMBSDORFF, SUPPORTED THE PLAN AS LONG AS NO ACCEPTABLE ALTERNATIVE SOLUTION TO THE FRG STEEL PROBLEMS COULD BE FOUND. ECONMIN SOURCES WERE NOT SURPRISED THAT THIS MERGER "PLAN", WHICH HAS SURFACED FROM TIME TO TIME BEFORE, HAS NOW HIT THE RUMOR MILL AGAIN. THEY WERE SURPRISED, HOWEVER, THAT LAMBSDORFF CAME OUT IN FAVOR OF A MERGER, ALTHOUGH LAMBSDORFF MADE IT CLEAR TO THE PRESS THAT HE WAS ACTING ON HIS OWN INITIATIVE.

5. REGARDING THE EUROPEAN COUNCIL DECLARATION ON THE SITUATION IN THE STEEL SECTOR (REF B), ECONMIN SOURCES DESCRIBED A HEATED BATTLE OVER THE DRAFTING OF THE DECLARATION AT THE WORKING LEVEL. GERMAN OPPOSITION SUCCEEDED IN SHORTENING AND GENERALIZING THE DECLARATION, LIMITED OFFICIAL USE

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BUT NOT BEFORE TEMPERS FLARED. IN FURTHER DISCUSSIONS WITH ECONMIN SINCE REF C, IT IS APPARENT THAT GERMAN SUSPICIONS REGARDING THE DAVIGNON PLAN ARE STRONGEST CONCERNING THE STRUCTURAL REORGANIZATION ASPECTS OF THE PROPOSAL. SOURCES BELIEVE DAVIGNON IS FIRMLY COMMITTED AGAINST TRADE RESTRICTIONS AND THEY FORESEE LITTLE REAL DANGER FOR THE EC STEEL MARKET RESULTING FROM SHORT-TERM PRICE CONTROLS OR THE USE OF LIMITED ECSC RESOURCES. HOWEVER, THERE IS SUSPICION THAT DAVIGNON WILL ATTEMPT TO GO BEYOND COORDINATING NATIONAL RESTRUCTURING PROGRAMS AND TRY TO INFLUENCE INDIVIDUAL PRODUCER INVESTMENT DECISIONS. ECONMIN SEEMS PREPARED TO GIVE A BIT MORE ON SHORT-TERM CONTROLS AND COORDINATION THROUGH THE COMMISSION IN ORDER TO AVOID EC INFLUENCE OVER LONG-TERM GERMAN NON-INTERVENTIONIST SECTORAL POLICY. STOESEL

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**Disposition History:** n/a  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Original Handling Restrictions:** n/a  
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**Reference:** 77 DUSSELDORF 646, 77 ROME 5045, 77 BONN 5140  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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